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NEWS RELEASE

Centerra Gold Provides Update on Kyrgyz Republic Environmental Claims

Toronto, Canada, May 25, 2016: Centerra Gold Inc. (TSX: CG) (“Centerra” or the “Company”) reports that the Bishkek Inter-District Court in the Kyrgyz Republic today ruled against Kumtor Operating Company (“KOC”), Centerra’s wholly-owned subsidiary, on an environmental claim brought by the State Inspectorate Office for Environmental and Technical Safety of the Kyrgyz Republic (“SIETS”) and awarded damages of 6,698,878,290 Kyrgyz soms (approximately U.S.\$98.4 million). SIETS alleged that the placement of waste rock on Kumtor’s waste dumps is subject to tariffs that are normally applicable to industrial or domestic waste. The Inter-District Court’s ruling today followed a ruling yesterday against KOC in a claim brought by SIETS in relation to unrecorded wastes from Kumtor’s effluent and sewage treatment plants which awarded 663,839 Kyrgyz soms (approximately U.S.\$10,000). Centerra and KOC strongly dispute the SIETS claims and will appeal both decisions to the Bishkek City Court and, if necessary, to the Kyrgyz Republic Supreme Court. Centerra and KOC have expressly reserved their rights to refer such disputes to international arbitration.

There remain two outstanding environmental claims made by SIETS before the Inter-District Court alleging land damage (hearing scheduled for May 27) and failure to pay for water use (hearing scheduled for May 30). The two remaining SIETS claims are for, in the aggregate, approximately U.S.\$5 million. There is also a claim before the Inter-District Court made by the Kyrgyz Republic State Agency for Environment and Forestry Protection (“SAEPF”) which alleges that KOC owes additional environmental pollution fees and which claims damages of approximately U.S.\$220 million. The next court hearing in the SAEPF claim is scheduled for May 30.

As previously disclosed, Centerra strongly disputes the allegations made in the SIETS and SAEPF claims and considers the claims to be without merit. In particular, the Kumtor Project has always been operated in accordance with the provisions of the 2009 project agreements governing the Kumtor Project (the “Kumtor Project Agreements”), including the 2009 Restated Investment Agreement which provides a complete code of all taxes, fees and other charges applicable to the Kumtor Project. In addition, the Kumtor Project has been the subject of systemic audits and investigations over the years by Kyrgyz and international experts, including by an independent, internationally recognized expert who carried out a due diligence review of Kumtor’s performance on safety, health and environmental matters at the request of Centerra’s Safety, Health and Environmental Committee of the Board of Directors.

The claims were commenced by SIETS and SAEPF in 2012 and 2013, respectively, and are subject to international arbitration under the provisions of the 2009 Restated Investment Agreement. As such, Centerra will continue to challenge the SIETS and SAEPF claims in the Kyrgyz courts and/or by commencing international arbitration proceedings in accordance with the Restated Investment Agreement.

The Company has benefited from a close and constructive dialogue with Kyrgyz Republic authorities during Kumtor Project operations and remains committed to working with them to resolve all of the outstanding matters affecting the Kumtor Project, including among others: (i) the environmental claims made by SIETS and SAEPF; (ii) the claim made by the Kyrgyz Republic General Prosecutor’s Office (“GPO”) in relation to a U.S.\$200 million inter-corporate dividend paid by Kumtor Gold Company (“KGC”) to Centerra and the related search of KGC’s Bishkek office on April 28, 2016; (iii) claims made by the GPO seeking to invalidate Kumtor’s land use certificate and to seize certain lands within the Kumtor concession area; and (iv) outstanding permits and approvals of

Kumtor's 2016 annual mine plan, the absence of which will result in a shutdown of the Kumtor Project on July 1, 2016. However, there are no assurances that the Company will be able to successfully resolve any or all the matters affecting the Kumtor Project. There are also no assurances that such matters will not result in the Kyrgyz Republic government and/or Parliament taking actions that are inconsistent with the Government's obligations under the Kumtor Project Agreements, including adopting a law "denouncing" or purporting to cancel or invalidate the Kumtor Project Agreements or laws enacted in relation thereto. The inability to successfully resolve all such matters would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

About Centerra

Centerra is a Canadian-based gold mining company focused on operating, developing, exploring and acquiring gold properties in Asia, North America and other markets worldwide. Centerra is the largest Western-based gold producer in Central Asia. Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is headquartered in Toronto, Ontario, Canada.

For more information:

John W. Pearson
Vice President, Investor Relations
(416) 204-1953
john.pearson@centerragold.com

Additional information on Centerra is available on the Company's web site at www.centerragold.com and at SEDAR at www.sedar.com.

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